

ALABAMA DEPARTMENT OF AGRICULTURE & INDUSTRIES
PETROLEUM COMMODITIES SECTION
P.O. BOX 3336
MONTGOMERY, AL 36109-0336
Telephone No: 334-240-7127

INSTRUCTIONS FOR PREPARING REPORTING FORMS FOR PETROLEUM PRODUCTS INSPECTION FEES
{CODE OF ALABAMA (1975), § 8-17-80 through 8-17-94} as amended by Act 2004-546, Section 1

MONTHLY INSPECTION FEE REPORTS SHOULD BE IN THE OFFICE OF THE ALABAMA DEPARTMENT OF AGRICULTURE AND INDUSTRIES **ON OR BEFORE THE 20TH DAY OF THE MONTH** FOR TRANSACTIONS IN THE PREVIOUS MONTH. PENALTY FOR DELINQUENCY IS 10% OF THE TOTAL FEE AMOUNT DUE PLUS COST OF COLLECTIONS.

FORM AL I.F. #1 (Color: Buff), "Monthly Remittance Form, Inspection Fees on Sales of Petroleum Products Sold in the State of Alabama" – This form is a summary of the total gallons of gasoline and/or substitutes, lubricating oil, jet fuel, heating oil, kerosene, and diesel fuel No. 1 & 2 not subject to the state excise tax that is sold in the State of Alabama during the month and the required amount of inspection fee due on each product as listed. Gallonage figures on this form must coincide with figures as reported on the total breakdown of products as shown on Form AL I.F. #2.

For companies claiming "Credit Deductions" in the bottom section of Form AL I.F. #1, the following procedure must be used:

1. Kerosene reported in previous month at 1¢ per gallon and dyed diesel fuel reported at 2¢ per gallon may be claimed as credit of 39/40¢ per gallon on kerosene and 1 39/40¢ per gallon on dyed diesel fuel if it was sold and used in farm tractors, boats, locomotives, or as treatment or preservation of wood products. Such sales and credit must be documented by attaching prepared Forms AL I.F. #4, #5, and #8.
2. Kerosene reported in previous month at 1¢ per gallon and dyed diesel fuel reported at 2¢ per gallon may be claimed as a credit of 1¢ per gallon on kerosene and 2¢ per gallon on dyed diesel fuel if it was sold and used in firing steam boilers or in a combustion generating turbine by compression. Such sales and credit must be documented by attaching Form AL I.F. #7, that has been prepared and signed by the consumer.

FORM AL I.F. #2 (Color: Ivory), "Report of Gasoline, Lubricating Oils, Jet Fuel, Kerosene, Heating Oil, and Diesel Fuel Receipts and Sales in the State of Alabama" – This form is a breakdown of the petroleum products listed on Form AL I.F. #1. All companies responsible for reporting sales of petroleum products in the State of Alabama must complete this form by providing all documentation requested on pages 1 and 2. The gallonage shown on Form AL I.F. #2 is necessary for checking the accuracy of the figures entered on Form AL I.F. #1. **Page 1 of Form AL I.F. #2 should be completed in detail. The total stated for the "Total to be Accounted for" (Lines 1-6) and the "Total Accounted for" (Lines 7-20) must balance and equal the same amount for each product.**

Line No. 1, "Inventory Beginning of Month" – Companies remitting fees as products are sold rather than on receipts must enter beginning inventory gallons of fee-free receipts only. This amount should be the same total as reported for the actual ending inventory in prior month's report. **Do not report beginning and ending inventory amounts for clear diesel fuel.**

Line No. 2, "Fee-free Receipts During Month" – Enter total of gallons purchased or imported on which company is responsible for fee. List summary totals for these purchases by supplier name on AL I.F. #2, page 2, and attach a computer printout that details purchases.

On page 2 of AL I.F. #2, "**RECEIPTS**" section, include purchases of heating oil in the dyed diesel column.

The inspection fee is due on clear diesel when it is exempt the state excise tax. In the clear diesel column on page 2 of AL I.F. #2, "RECEIPTS" section, do not record receipts unless you have sales. Enter only enough gallons as purchases to cover the sales total for which the inspection fee is due.

Lines 3 and 8, "Receipts with Fees Paid to Supplier" and "Sales from Receipts with Fees Paid to Supplier" – Enter gallons purchased on which fees were paid to supplier. List and note these gallons with an asterisk on page 2 of AL I.F. #2.

Lines 4 and 11, "Gain/Loss" – Lubricating Oil Column – No amount for gallonage loss may be reported on packaged goods of lubricating oil. A reasonable amount of loss (no more than 2% of the quantity purchased) will be allowed for lubricating oil purchased in bulk and repackaged when sold.

Gasoline and/or substitutes, Jet Fuel, Kerosene, Heating Oil, and Diesel Fuel #1 and #2 Columns – **Net gallons** should be reported when listing purchases; this is the adjusted amount for temperature variance for gallons purchased. No reported loss is allowed for companies reporting and remitting inspection fees as products are purchased (receipts basis). Companies remitting fees as products are sold (this requires the reporting of an actual beginning and ending inventory on Form AL I.F. #2, lines 1 and 20) may report a loss up to 1% of the volume purchased. **However, over a twelve-month period, gains of equal gallonage amount must be reported. Refineries are allowed a reasonable gallonage loss.**

Line 7, "Gallons on Which Fee is Due at Full Rate" – Enter the gallonage amounts for each product on which reporting company is remitting payment of the inspection fee at the full rate. These amounts should be brought forward to Form AL I.F. #1 and fees calculated as follows:

<u>Product</u>	<u>Applicable Fee Rate Per Gallon</u>
Gallons of Gasoline and/or Substitutes	2¢
Gallons of Lubricating Oil ¹	15¢
Gallons of Jet Fuel	1/40¢
Gallons of Kerosene	1¢
Gallons of Clear Diesel Fuel not subject to excise tax ²	2¢
Gallons of Dyed Diesel Fuel	2¢

¹ See pages 5 and 6 for a description of lubricating oil products subject to the inspection fee.

² See page 6 for changes in the law pertaining to diesel fuel.

Dyed diesel fuel and kerosene gallonage amounts on which the reduced fee of 1/40¢ per gallon is being paid should be entered on AL I.F. #2, Lines 12, 13, 14, and 15; and should be brought forward to Form AL I.F. #1 and fees calculated as follows:

<u>Line No.</u>	<u>Description</u>	<u>*Form Required for Documentation</u>	<u>Applicable Fee Rate Per Gallon</u>
12	Sales of Diesel Fuel and/or Kerosene for Boats	AL I. F. #5	1/40¢
13	Sales of Diesel Fuel for Locomotives	AL I.F. #4	1/40¢
14	Sales of Diesel Fuel and/or Kerosene for Farm Tractors	AL I.F. #8 and 9	1/40¢
15	Sales of Diesel Fuel and/or Kerosene for use in Treatment or Preservation of Wood Products	AL I.F. #4	1/40¢

Fee exempted categories are as follows:

9	Exports to Other States	AL I.F. #6	-0-
10	Sales to U.S. Government Agencies	AL I.F. #10A	-0-
16	Sales to AL Dealers on Which Fees Were Not Collected – (Bonded-First seller or exchanges)	AL I.F. #3	-0-
17	Sales of Diesel Fuel and/or Kerosene for Firing Steam Boilers or Combustion Generating Turbines by Compression	AL I.F. #7	-0-

*** See each reporting form for detailed instructions.**

To calculate the 1/40¢ per gallon fee rate, multiply gallonage by \$.00025.

Line 20, "Inventory End of Month (fee free receipts only)" – If the inspection fee is paid each month on gallons sold rather than gallons purchased, the amount of inventory gallons on hand at the end of the month must be stated on this line. The ending inventory gallons stated must be carried forward in the report for the next following month and stated as the "Inventory Beginning of Month", line 1. **Do not report beginning and ending inventory amounts for clear diesel fuel.**

The information requested on page 2 of AL I.F. #2, "Detail Receipts" is needed in cross-checking reports submitted. Complete this entire section and enter suppliers' computer I.D. # which is the three-digit permit number if the company is bonded. Some major refineries are assigned a five-digit computer I.D. #. These assigned numbers for the bonded companies may be obtained from this department's website: www.agi.state.al.us/petroleum/htm.

If the inspection fee is remitted as products are sold rather than at the time of purchase, the "Sales" section must be completed. A computer printout that details the same information requested in this section of Form ALI.F. #2 is acceptable.

FORM AL I.F. #3 (Color: White), "Sales or Exchanges on Which Inspection Fees were not Collected" – A breakdown of sales reported on Line 16, Form AL I.F. #2, must be submitted on this form. This information is needed in order to compare information detailed in reports from bonded-first sellers paying their own inspection fees with supplier reported data. **Exempt only companies whose name appear on the approved bonded-first sellers list published by this Department. Enter bonded-first sellers' permit number when preparing Form AL I.F. #3.**

Refineries are allowed to purchase products as an exchange and exempt the inspection fee without being bonded. A breakdown of any exchanges reported on Form AL I.F. #2, line 16, should also be detailed on Form AL I.F. #3. Only refineries of petroleum products are authorized to purchase or sell products on an exchange basis. **Do not list exempted sales of clear diesel fuel.**

FORM AL I.F. #4 (Color: Pink), "Petroleum Products Inspection Fee Reduced Rate Form for Diesel Fuel and Kerosene Used in Railroad Locomotives, or in the Treatment or Preservation of Wood Products" – This form must accompany AL I.F. #2 each month as proof of amounts shown on Lines 13 and 15. If it is known at the time of purchase that kerosene or diesel fuel will be used in railroad locomotives or in the treatment or preservation of wood products, the ultimate consumer must prepare and sign this form in order to document the reduced inspection fee rate of 1/40¢ per gallon. If signed form is not presented to supplier during the month the purchase is made, the inspection fee of 1¢ per gallon will be due on the kerosene and 2¢ per gallon on diesel fuel. A credit may be claimed the following calendar month with proper documentation.

Kerosene or diesel fuel used by the ultimate consumer to propel railroad locomotives is subject to the reduced inspection fee rate of 1/40¢ per gallon. **These products used in other railroad equipment are not entitled to the reduced inspection fee rate.**

Kerosene or diesel fuel used by the ultimate consumer as a solvent or other agent in the treatment or preservation of wood products (creosoting or similar process) is subject to the reduced inspection fee rate of 1/40¢ per gallon. **These products used for other purposes in the pulpwood business and on lumberyards are not entitled to the reduced inspection fee rate.**

Page 2 of Form AL I.F. #4, "Petroleum Products Inspection Fee Credit Deduction Form for Diesel Fuel and Kerosene Used in Railroad Locomotives, or in the Treatment or Preservation of Wood Products" – This form must be prepared and signed by the ultimate consumer and must accompany Monthly Remittance Form, AL I.F. #1, as proof for any amounts claimed as a "Credit Deduction" at the bottom of AL I.F. #1. This documentation is required for inspection fees paid in previous month at 1¢ per gallon on kerosene or 2¢ on diesel fuel, but subject to the 1/40¢ per gallon inspection fee rate on which a credit of 1 39/40¢ per gallon on diesel fuel or 39/40¢ per gallon on kerosene is claimed because of its use in railroad locomotives, or in the treatment or preservation of wood products.

FORM AL I. F. #5 (Color: Green), "Petroleum Products Inspection fee Reduced Rate Claim Form for Diesel Fuel and Kerosene Used in Boats" – This form must be prepared and signed by the ultimate seller and must accompany AL I. F. #2, line 12, each month to document any amount claimed as sold and used in boats on which the reduced inspection fee rate of 1/40¢ per gallon is being remitted on kerosene and diesel fuel. If this prepared form is not made available during the month the purchase is made to the reporting company submitting the inspection fee to the Alabama Department of Agriculture and Industries, the fee rate of 1¢ per gallon will be due on kerosene and 2¢ per gallon will be due on diesel fuel. A credit may be claimed the next following calendar month with proper documentation.

A computer printout attached to a prepared and signed Form AL I.F. #5 is acceptable documentation for this category if it is a direct sale by the reporting company.

Page 2 of Form AL I.F. #5, "Petroleum Products Inspection Fee Credit Deduction Form for Diesel Fuel and Kerosene used in Boats" – This form must be prepared and signed by the ultimate seller and must accompany Monthly Remittance Form. AL I.F. #1, as proof for any amount claimed as a "Credit Deduction" at the bottom of Form AL I.F. #1. This documentation is required for inspection fees paid in previous month at 1¢ per gallon on kerosene and 2¢ per gallon on diesel fuel, but subject to the 1/40¢ per gallon inspection fee rate on which a credit deduction of 1 39/40¢ per gallon on diesel fuel or 39/40¢ per gallon on kerosene is claimed because of its use in boats.

FORM AL I.F. #6 (Color: Yellow), "Petroleum Products Inspection Fees Exemption Form for Sales Made out of the State of Alabama" – Gallonage amounts shown on Form AL I.F. #2, Line 9, must be documented by attaching a prepared and signed copy of this form. This documentation is required in order to claim an inspection fee refund or credit on sales made out of the State of Alabama of gasoline, diesel fuel, kerosene, jet fuel, heating oil, and lubricating oil. A signature is required on this form of an official of the company exporting product; whether it be the reporting company, or reporting company's customer, or an out-of-state customer taking possession of product in Alabama for export. **If product is exported at out-of-state purchaser's expense, this form must be signed by an official with that company.** Proof of sales must be documented as required by the first seller submitting the inspection fees to the Alabama Department of Agriculture and Industries. If product is exported by reporting company, a computer printout attached to a signed Form AL I.F.#6 is acceptable documentation.

FORM AL I.F. #7 (Color: Blue), "Inspection Fee Exemption Form for Diesel Fuel and Kerosene Used in Firing Steam Boilers or Combustion Generating Turbines by Compression" – This form must be prepared and signed by the consumer and must accompany Form AL I.F. #2, line 17, each month to document any amount claimed as exempted the inspection fee of 1¢ per gallon on kerosene and 2¢ per gallon on diesel fuel at the time of sale because of its use in firing steam boilers or combustion generating turbines by compression. If signed form is not presented to supplier during the month the purchase is made, the inspection fee rate of 1¢ per gallon will be due on kerosene and 2¢ per gallon will be due on diesel fuel. A credit may be claimed the following calendar month with proper documentation.

As proof for any amounts claimed as a "Credit Deduction" at the bottom of AL I.F. #1, Form AL I.F. #7 must be prepared and signed by the consumer and must accompany Monthly Remittance Form AL I.F. #1. This documentation is required for inspection fees paid in previous month at 1¢ per gallon on kerosene and 2¢ per gallon on diesel fuel, but exempted the inspection fee because of its use in firing steam boilers or combustion generating turbines by compression. NOTE "CREDIT DEDUCTION" GALLONS WITH AN ASTERISK (*).

FORM AL I.F. #8 (Color: White), "Petroleum Products Inspection Fee Reduced Rate Form for Diesel Fuel and Kerosene Used in Farm Tractors" – The Alabama Department of Agriculture and Industries prepares an individual reporting Form AL I. F. #8 for each company submitting prepared and signed copies of Form AL I.F. #9. Form AL I. F. #8 is a list of customers that have an approved Form AL I.F. #9 on file with the Alabama Department of Agriculture and Industries.

A copy of Form AL I.F. #8 must be prepared and signed by the ultimate seller and must accompany AL I.F. #2, line 14, each month to document any amount claimed as sold and used in farm tractors on which the reduced inspection fee rate of 1/40¢ per gallon is being remitted on kerosene and diesel fuel. The ultimate seller must prepare monthly an individual form for each supplier if the seller is not a first seller or a bonded-first seller of petroleum products in the State of Alabama. Type the amount claimed for each approved customer in the space provided to the right of the name. Do not change Form AL I. F. #8 by typing in names that have not been added by this department. Form AL I. F. #8 will be routinely updated as additional AL I. F. #9's are received in this office. **A Computer printout will not suffice for this area of documentation.**

If a prepared Form AL I. F. #8 is not made available during the month the purchase is made to the reporting company submitting the inspection fee to the Alabama Department of Agriculture and Industries, the fee of 1¢ per gallon will be due on kerosene and 2¢ per gallon will be due on diesel fuel. A credit may be claimed the next following calendar month with proper documentation.

As proof for any amounts claimed as a "Credit Deduction" at the bottom of AL I.F. #1, Form AL I.F. #8 must be prepared and signed by the ultimate seller and must accompany Monthly Remittance Form AL I.F. #1. This documentation is required for inspection fees paid in previous month at 1¢ per gallon on kerosene or 2¢ per gallon on diesel fuel but subject to the 1/40¢ per gallon inspection fee rate on which a credit of 1 39/40¢ per gallon on diesel fuel or 39/40¢ per gallon on kerosene is claimed because of its use in farm tractors.

FORM AL I.F. #9, "Certification for Reduced Inspection Fee Rate for Diesel Fuel and Kerosene Used in Farm Tractors" – Each consumer of kerosene or diesel fuel in farm tractors for agricultural purposes must prepare, sign, and submit this form through his supplier to the Alabama Department of Agriculture and Industries in order to document the reduced inspection fee rate of 1/40¢ per gallon. It is required that the consumer prepare, sign, and submit this form to his supplier so that the supplier will be able to make the necessary distribution of the copies. The inspection fee will be due at the full rate which is 1¢ per gallon on kerosene and 2¢ per gallon on diesel fuel if a prepared and signed Form AL I. F. #9 is not on file with the supplier and the Alabama Department of Agriculture and Industries.

§8-17-87, paragraph (a) (7) reads as follows: "Kerosene or diesel fuel used by the ultimate consumer thereof to propel or operate tractors which are not operated on public highways but which are used exclusively in preparing and cultivating land, harvesting any agricultural commodity or for other agricultural purposes, including pasture and hay production; provided, however, that the term 'tractors' as used herein shall not include automobiles, trucks, pickups, trailers, semitrailers, or other such vehicles, one fortieth of \$.01 per gallon."

Diesel fuel for farm tractor **acceptable** usages are: Cultivating land for planting, growing, and harvesting row crops; pasturing and hay production; sod farming (but not landscaping); nurseries that grow their own plants and shrubs; oxygenating catfish ponds; cleaning out chicken houses; tractor pulled fertilizer spreaders; and university experimental farms.

Diesel fuel for farm tractor **unacceptable** usages are: Landscaping; timbering; logging and pulpwood businesses; generators for backup use; state, city, and county governmental agencies; mowing grass as lawn care; country clubs; hunting clubs; construction companies, forklifts; backhoes; bulldozers; front-end loaders; co-ops and other farm stores, convenient stores, or any other businesses that resell the fuel before it is actually consumed.

Suppliers must request their customers to write legibly when preparing and signing Form AL I.F. #9. Print each customer's name, as it should be entered on Form AL I. F. #8 (company's computerized listing of approved farm tractor customers), on the line provided on the form in the lower left-hand corner. This form is printed on carbon sensitized paper; two copies to a set. When preparing the original white copy, the other copy will be made automatically without inserting additional carbon paper.

DISTRIBUTION OF COPIES: Alabama Department of Agriculture & Industries – White copy
Diesel Fuel or Kerosene Supplier – yellow copy

FORM AL I.F. #10 (Color: White), "Sales Made Exempt the Inspection Fee from Out-of-State Terminals and/or Warehouses" – This form is used to report each month shipments of petroleum products made exempt the inspection fee from warehouses or terminals located outside the State of Alabama.

This requirement is outlined in Section 8-17-89, paragraphs (a) and (b) of the law and reads as follows:

- (a) "It shall be the duty of each person selling in or for importation into the state any petroleum product to notify the Commissioner of Agriculture and Industries in writing by mail or otherwise on the date of shipment or other delivery for transportation, or within 24 hours thereafter, of such sale and shipment or delivery.
- (b) Such notice shall briefly describe the particular petroleum product and the number of gallons thereof and shall state the name and address of the person to which such products are sold, shipped or delivered."

FORM AL I.F. #10A (Color: White), "Petroleum Products Inspection Fee Exemption Form for Sales Made to U.S. Government Agencies" – Sales of petroleum products to U.S. Government Agencies are exempted the inspection fee. This exemption applies to products purchased and paid for with U. S. Government funds and products must be consumed exclusively by the federal government. Fee exempted gallons claimed in this category must be entered on Form AL. I. F. #2, line 10, and must be documented by attaching a prepared and signed copy of this form. A signature is required on this form of an official of the company that is the ultimate seller. **This form must be channeled through the company reporting and remitting the inspection fee to this department and must accompany Form AL I. F. #2.** Proof of sales must be documented as required by the first seller submitting the inspection fees to the Alabama Department of Agriculture and Industries.

The inspection fee applies to products resold through post exchanges. Companies operating under a federal government contract; this is, consuming petroleum products in the process of providing a service to the U. S. Government, do not qualify for a fee exemption under this category. Petroleum products sold to city, county, and state agencies are subject to the inspection fee. A computer printout that contains the same information requested on this form will suffice. Sign the form at the bottom and attach a copy of the printout.

LUBRICATING OILS SUBJECT TO THE INSPECTION FEE OF \$.15 PER GALLON

Section 8-17-80, paragraph (4), of the Code of Alabama, 1975 and 2004, defines lubricating oil as "those products of petroleum that are commonly used in lubricating or oiling engines and any devices or substitutes for such products of petroleum."

The inspection fee is imposed on oils labeled "motor oil" or "engine oil" and oils not labeled motor oil but are commonly substituted and used as such. Oil products subject to the inspection fee are:

1. Oils meeting the quality standards of ten-weight motor oil or above.
2. Synthetic and re-refined oils.
3. Multi-viscosity oils. (Example – 5W-20, 10W-30, 10W-50, etc.)
4. Two or four-cycle oils, two or four-stroke oils.

5. Oils manufactured for use in lubricating or oiling engines that are fueled by gasoline or gasoline substitutes, jet fuel, kerosene, or diesel fuel; including outboard motors, chain saws, lawn mowers, weed eaters, leaf blowers, turbocharged engines, locomotives, aircraft, marine vessels, race cars, etc.
6. Oil products formulated using motor oils as its base carrier fluid and are often labeled "engine treatments." Some of these products are: "T-Plus Engine Treatment," "Slick 50," "Engine Slick," "Protect 100," "Motorvator Engine Treatment with Dupont Teflon," "Dura-Lube," etc.
7. Ten-weight oils labeled "motor oil" but used as hydraulic oil or for any other use are subject to the inspection fee.

Hydraulic fluids, industrial oils, greases, gear lubes, brake fluids, automatic transmission fluids, bar and chain oils are not subject to the fee.

**The Code of Alabama (1975), §8-17-80 through 8-17-94)
As Amended by Act 2004-546, Section 1
Effective October 1, 2004**

Act 2004-546 changes the application of the inspection fee on clear diesel fuel sold in the State of Alabama. The new law reads as follows:

§8-17-87(a) (2) - "Diesel fuel other than that referred to in subdivisions (a) (5), (a) (6), (a) (7), (a) (8), and (a) (9) of this section, \$.02 per gallon. Provided, however, diesel fuel that is subject to the excise taxes levied on motor fuel under Sections 40-17-2 and 40-17-220 shall be exempt from the inspection fee levied on diesel fuel pursuant to this subdivision (2)."

This act increases the motor fuel excise tax from 17¢ per gallon to 19¢ per gallon and exempts the 2¢ per gallon inspection fee on the gallons of diesel #1 and #2 that are subject to the excise tax law. The inspection fee will continue to apply to gallons of clear diesel #1 and #2 not subject to the excise tax and dyed diesel #1 and #2 sold in the State of Alabama. As stated in the original inspection fee law, if the clear and dyed diesel #1 and #2 subject to the inspection fee is used for boats, locomotives, farm tractors, or treatment or preservation of wood products, the inspection fee rate is 1/40¢ per gallon (\$.00025) but must be documented with the appropriate documentation form in your inspection fee report as previously required.

Sales of clear diesel to a company that is exempted the excise tax because the company is licensed with the Alabama Department of Revenue to pay its own taxes does not warrant the collection of the inspection fee.

The inspection fee is due on sales of clear diesel when an exemption of the excise tax is authorized. Contact the Alabama Department of Revenue for an explanation of the exemptions allowed in the state excise tax law. A sale of clear diesel fuel to a state agency is subject to the motor fuel excise tax law; therefore, it is exempt the inspection fee. However, a sale of dyed diesel to a state agency is subject to the inspection fee. Dyed and clear diesel #1 and #2 sales to city and county governmental agencies are subject to the inspection fee because they are exempt the excise tax.

As previously enforced, the inspection fee applies to sales of gasoline, lubricating oil, jet fuel, and kerosene sold to state, city, and county agencies. **Sales to U.S. Government agencies are exempt the inspection fee.**

Reporting forms AL I.F. #1, 2, and 3 have been revised to reflect these changes. See each individual form for additional instructions.